

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

TRANSFERRING SELECTED POST OFFICE BOX  
SERVICE LOCATIONS TO THE COMPETITIVE  
PRODUCT LIST

Docket No. MC2011-25

RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO QUESTIONS 1-3 OF CHAIRMAN'S INFORMATION REQUEST NO. 1  
(June 13, 2011)

The United States Postal Service hereby provides its responses to Questions 1 through 3 of Chairman's Information Request No. 1, issued on June 6, 2011. Answers were sought no later than today. Each question is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**

**Question 1**

The Postal Service proposes to transfer P.O. Box Service locations from all seven market dominant fee groups to the competitive product list. See "CompetitiveLocations.xls," which was filed with the Request. Currently, all competitive P.O. Box Service locations are assigned to one fee group, Fee Group 31. If the Request is approved, please explain how the language in the Mail Classification Schedule would address the fee groups for competitive P.O. Box Service.

**RESPONSE:**

If the Request is approved, the Postal Service does not intend to change any prices immediately. Instead, the Postal Service plans a later filing to add more fee groups to the Competitive Post Office Box service product. Each fee group would specify a range of prices within which the boxes in that fee group must fall, similar to Fee Group C1 in the current MCS. As with the current competitive Post Office Box service locations, the actual prices would be established through a Postal Bulletin notice also filed with the Commission. (The actual prices for Fee Group C1 locations are labeled in the Postal Service's system as Fee Group 31.)

Consistent with this plan, the Postal Service wishes to postpone the effective date of the transfer of locations to the competitive product until its later proposal to add fee groups to the competitive product is acted upon. The Commission's Order could specify that the transfer is contingent upon the Postal Service requesting additional fee groups.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**

**Question 2**

Please refer to the Request, Attachment B at 4. The Postal Service states, "The total number of customers from the 49 locations whose contracts were up for renewal was 13,284." *Id.* n.7. Please confirm that 13,284 represent the total number of customers for the months of February, March, and April 2011 whose contracts were up for renewal. If not confirmed, please explain what the 13,284 number represents.

**RESPONSE:**

Confirmed. Note that because of customers renewing in the month of May, the number of non-renewing customers has declined from 4,128 to 3,297, resulting in a non-renewal rate of 25 percent.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**

**Question 3**

Please refer to the Request, Attachment B at 4-5 which states: "The Postal Service submits that Post Office Box service locations that serve customers who have access to PMBs within five miles of their residences face direct competition from such PMBs...."

- a. Please explain how the Postal Service determined that 5 miles is the appropriate metric for identifying competitive P.O. Box Service locations.
- b. Please provide any surveys or other data supporting the 5-mile metric.

**RESPONSE:**

- (a) The Postal Service determined that five miles is an appropriate metric for identifying competitive PO Box service locations based on several considerations.

The Postal Service has previously learned from customers that they are generally willing to travel up to 20 minutes to a Post Office.<sup>1</sup> As noted in the Request,<sup>2</sup> the Postal Service believes that five miles is a reasonable national proxy for the distance covered by up to 20 minutes of travel, taking into account that in some areas of the country 20 minutes of travel translates to more than five miles, while in other areas of the country 20 minutes of travel translates to less than five miles.

The five mile criterion was initially developed in 2004 to support a program at targeted Post Offices to increase the hours of service (Extended Hours program). Prior to implementing the Extended Hours program, the Area

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<sup>1</sup> In a 2003 study conducted by the Postal Service (the Business & Residential Customers USPS Ease of Use Perspectives study), customers indicated that they would travel up to twenty minutes for postal services.

<sup>2</sup> See Request, at page 5.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**

Marketing Managers, who managed retail marketing at the Areas, were briefed on the details of the plan. They were asked specifically to verify whether their understanding of customer behavior accorded with the Postal Service's research that customers are willing to travel up to 20 minutes for postal services. The Area Marketing Managers were also asked if they agreed that five miles was an appropriate proxy for up to 20 minutes of travel time in their areas. All of the Area Marketing Managers said that customer behavior observed by retail marketing in the field reflected customers' willingness to travel up to 20 minutes. They also agreed that five miles was a good proxy for 20 minutes of travel, with the understanding that a five mile radius would be too large in some locations, such as downtown areas of large cities, and too small in other locations, such as rural areas. They said, nevertheless, that five miles was the correct proxy.

After the Postal Service extended retail hours in 2005-06 at 1,708 selected postal locations, a majority of nearby UPS Stores extended their hours of operations as well to match or exceed the extended hours of the Postal Service. In all, 921 UPS Stores located near the selected postal locations responded by extending their own hours.<sup>3</sup> This indicates that there is competition between these postal locations and PMBs.

Furthermore, prior to formulating this Request, the Postal Service conducted a data-mining study of its PO Box service customers. One of the key findings of this study was that [REDACTED]

[REDACTED].

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<sup>3</sup> Because certain UPS locations were near more than one post office, the total number of UPS locations was less than 1,708. The Postal Service no longer has the exact number of UPS Stores near the 1,708 postal locations affected by the program.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**

Conversely, [REDACTED]  
[REDACTED]. The Postal Service used this information in its business planning to identify its potential customer base.

It is a common practice for businesses to market themselves in terms of "trade areas." While there are no hard and fast formulas as to what defines a trade area, a trade area is often defined as the geographic area from which 60 to 80 percent of a business's sales originate.<sup>4</sup> [REDACTED]  
[REDACTED]  
[REDACTED]

- (b) The Postal Service has included, in the nonpublic folder associated with this response, the data-mining results referenced in part (a).

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<sup>4</sup> See, e.g., Troy/Birmingham Transit Center Briefing Book & Strategic Plan, University of Michigan (2007).